



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

September 8, 2006

RE: ANNOUNCEMENT OF MINIMUM PRICES FOR CLASS 1 MARKET MILK

TO ALL INTERESTED PARTIES:

On the reverse side of this page are the minimum prices for Class 1 market milk for October 2006. All prices are f.o.b. milk processing plant. As provided in the Stabilization and Marketing Plans for Market Milk (Plans), milk handlers shall pay producers the minimum prices for market milk components sold or used for all Class 1 purposes as specified on the reverse side of this page. **Effective October 1, 2006 the component and hundredweight prices no longer include Milk Producers Security Trust Fund charges.**

If market milk components are purchased f.o.b. producer's dairy location, haul deductions may be made as provided in the Plans.

Equivalent hundredweight prices shown in the right-hand column are based upon milk that is 3.5% fat and 8.7% solids-not-fat (SNF). These classified minimum prices that processors must pay for milk received from producers are calculated based upon mathematical formulas. The formulas are established and amended as needed through a public hearing process. These formulas include commercial prices for manufactured dairy products (butter, Cheddar cheese and nonfat dry milk). These commercial prices are also listed on the reverse side of this page.

You can access class price information over the Internet on the Department's dairy homepage at <http://www.cdfa.ca.gov/dairy>. From the main menu, select the [Dairy Prices] link and then the [Minimum Class Price Letters] link. Once there, be sure to make a bookmark for future reference. Current class price information is also available on a recorded message. Please call (800) 503-3490 to hear the recording. If you are calling from Sacramento, or from outside of California, please call (916) 442-MILK.

For more information, please contact us at the telephone number or e-mail address below.

Sincerely,

David K. Ikari, Chief
Dairy Marketing Branch



Released: September 8, 2006

CLASS 1:				EQUIVALENT
For October 2006	LB. FAT	LB. SNF	LB. FLUID	PER CWT.
Northern California	\$1.5030	\$0.7498	\$0.0204	\$13.57
Southern California	\$1.5030	\$0.7498	\$0.0235	\$13.85
Statewide Average CWT Price:				
Based Upon Production				\$13.60
Based Upon Utilization				\$13.72

COMMODITY MARKET PRICES: **\$ PER LB.**

Chicago Mercantile Exchange Grade AA Butter - Daily Simple Average (August 26th to September 10th)	\$1.3525
Chicago Mercantile Exchange Block Cheddar Cheese - Daily Simple Average (August 26th to September 10th)	\$1.3308
California Extra Grade & Grade A Nonfat Dry Milk - (For Weeks Ending August 25th and September 1st)	\$0.8368

COMMODITY REFERENCE PRICE FOR OCTOBER CLASS 1 PRICING: \$13.3800

As of October 1, 2006, component and hundredweight prices NO LONGER include Milk Producer Security Trust Fund charges.

The November 2006 Class 1 prices will be announced no later than 4:00 p.m. on October 10, 2006.
October and November 2006 Class 2 and 3 prices will be announced no later than 4:00 p.m. October 2, 2006.
September 2006 Class 4a and 4b prices will be announced no later than 4:00 p.m. October 2, 2006.



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TO ALL INTERESTED PARTIES:

The Milk Producers Security Trust Fund was created to protect producers against the potentially catastrophic financial loss of a payment default for bulk milk shipments to a processor. In order to finance the Fund, Trust Fund Security Charges of approximately five cents per hundredweight were levied on milk used to make Class 1, Class 2 and Class 3 products.

The Trust Fund Law provides that the Trust Fund Security Charges be collected until the Fund approximates 110 percent of the monthly total dollar purchases by the milk handler with the largest producer obligation (reference Section 62560 of the Food and Agricultural Code). These Security Charges are added on to the announced minimum prices for Class 1, Class 2 and Class 3 milk.

The Milk Producers Security Trust Fund Board of Directors was established to advise the Secretary on the administration of the Trust Fund. At its meeting on September 5, 2006, the Trust Fund Board of Directors recommended to the Department that the Trust Fund Security Charges be suspended effective October 1 of this year. The Board's recommendation was based upon the Fund's cash balance in relation to the funding requirements cited above.

The Department approved the Board's recommendation and ordered the Trust Fund Security Charges be suspended as of October 1, 2006. Beginning October 1, the announced minimum Class 1, Class 2 and Class 3 prices will not include the five-cents per hundredweight Security Charges.

Should you have any questions, please contact Bob Maxie or me at the telephone number listed below.

Sincerely,

John Lee, Chief
Milk Pooling Branch

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